



The future of carbon markets in the post-2012 climate negotiations

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The future of carbon markets in the post-2012 climate negotiations

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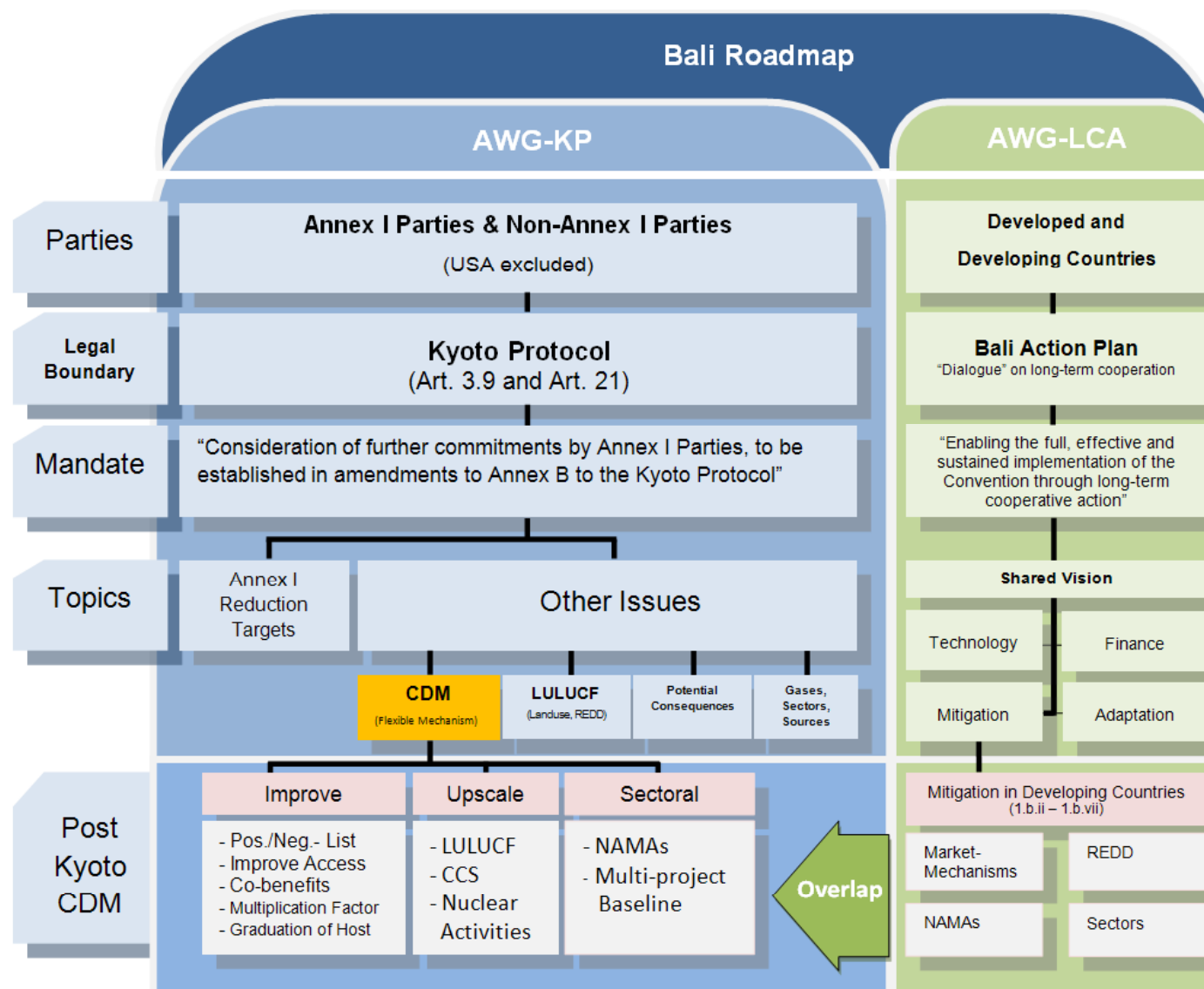
African Youth Representation at COP15

2 December 2009, Copenhagen

Outline:

- Overview of the negotiations
- The big politics
- Non-papers on mechanisms under the KP as well as NAMAs, sectoral approaches and cost-effectiveness under the Convention by 6 Nov. 2009

Overview of the negotiations



The big politics

The fate of the Protocol

- Five new agreements/protocols proposed for COP-15 (Japan, Australia, Tuvalu, Costa Rica and US) – outside the BAP agenda
- EU: 'a single integrated instrument' – incorporating key elements of the KP (=cherry picking)
- G77+China: oppose a single integrated instrument – as it will differentiate between developing countries and modify the burden sharing between Annex 1 vs non-Annex 1

Fear the Kyoto Protocol will be killed

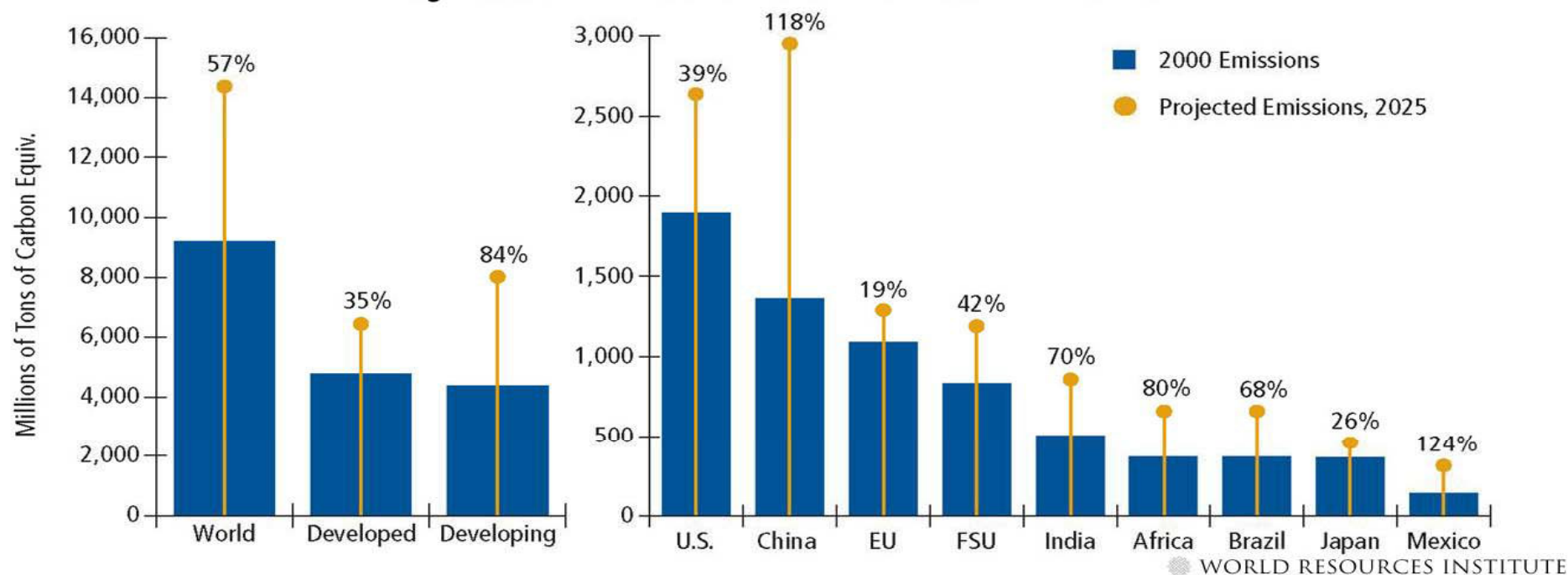
A single integrated instrument

- *The Australien 'schedules approach'*: - all countries develop a national schedule for their long term emissions pathway (bottom-up approach), mitigation commitments and actions, shaped by 'national circumstances', not just Annex 1 or non-Annex 1 status.
- *Overcomming the developed/developing country 'firewall'*
– as the BAP distinction between mitigation commitments/actions in paragraph 1 (b) (i) – developed countries and 1 (b) (ii) – developing countries has come to be known. Such proposals are known as 'cloud issues', i.e. 'general mitigation' actions applicable to all Parties (Japan, US, Australia and Canada pushing). However, they can find no place in the BAP-structure of the negotiation text for these.

Developing countries find this inconsistent with the Convention

The global mitigation challenge

GHG Emissions Projections for 2025



- Largest emitters were not included in the 1st commitment period
- Developed and developing country emissions currently about equal

Annex 1 mitigation pledges

Party	Information relating to possible QELROs		Inclusion of LULUCF	Status
	Range or single value by 2020, percentage	Reference year		
Australia	-5% up to -15% or -25%	2000	Y	Officially announced
Belarus	-5% to -10% ⁵	1990	TBD	Officially announced
Canada	-20%	2006	TBD	Officially announced
Croatia ⁶	+6%	1990	Y	Under consideration
European Union	-20 to -30%	1990	N for -20% Y for -30%	Adopted by legislation
Iceland	-15%	1990	Y	Officially announced
Japan	-25%	1990	TBD	Officially announced
Liechtenstein	-20 to -30%	1990	N	Officially announced
Monaco	-20%	1990	--	Officially announced
New Zealand	-10 to -20%	1990	Y	Officially announced
Norway	-30%	1990	Y ⁷	Officially announced
Russian Federation	-10 to -15%	1990	TBD	Officially announced
Switzerland	-20 to -30%	1990	Y	Officially announced
Ukraine	-20%	1990	TBD	Under consideration

*Abbreviations: N = no; TBD = to be determined; Y = yes.

Developed country aggregate ER targets amount to 10-23%

IPCC scenarios for stabilising climate with fair distribution of effort

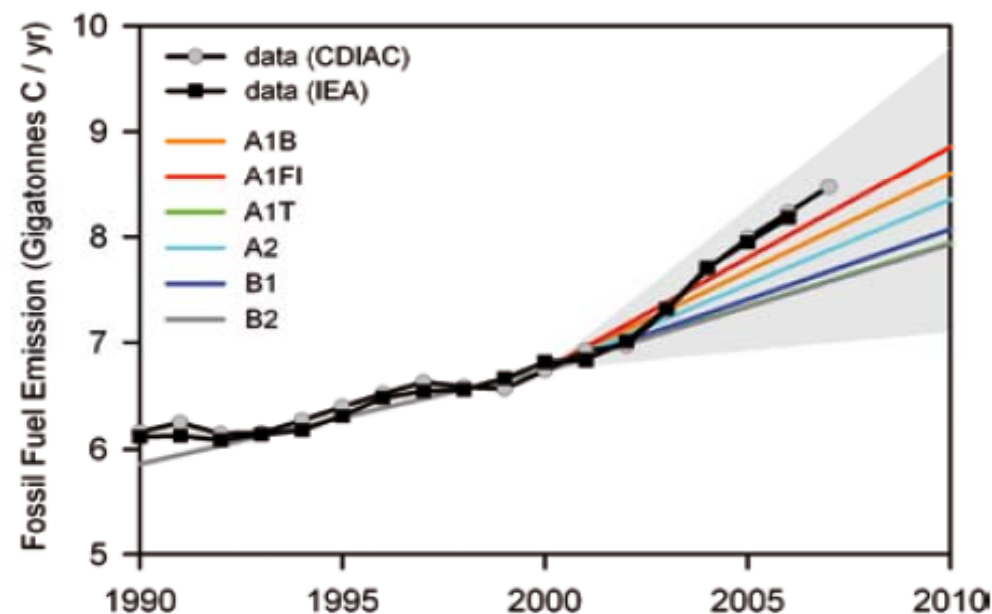
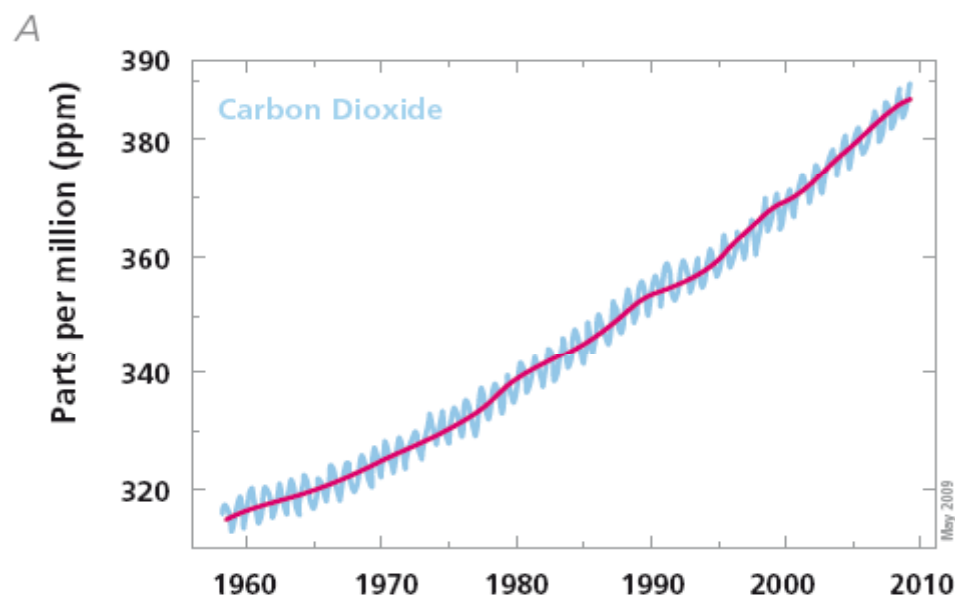
Scenario category	Region	2020	2050
A-450 ppm CO₂-eq²	Annex I	–25% to –40%	–80% to –95%
	Non-Annex I	Substantial deviation from baseline in Latin America, Middle East, East Asia (–15% to –30% from BAU)	Substantial deviation from baseline in all regions
B-550 ppm CO₂-eq	Annex I	–10% to –30%	–40% to –90%
	Non-Annex I	Deviation from baseline in Latin America and Middle East, East Asia (<i>0 to –20% from BAU</i>)	Deviation from baseline in most regions, especially in Latin America and Middle East

Proposals for Annex 1 aggregate ER

Party	Base year	2020	Second commitment period 2013-17	Third commitment period 2018-22	2050
Norway	1990	> 30%			
EU	1990	> 30%			
China	1990	> 40%			
African group	1990	> 40%			
India	1990	> 79,2%			
Indonesia	1990		> 18%	> 40%	> 85%
Iran	1990		18-30%	40-50%	
South Africa	1990		> 18%	> 40%	> 95%
Brazil	1990		> 20%	> 45%	
Philippines	1990		> 30%	> 50%	> 95%
AOSIS	1990	> 45%			> 95%

Source: FCCC/KP/AWG/2009/10/Add.4/Rev.1, 28 August 2009

Carbon emission trends since 2007 – higher than predicted by IPCC



Observed global fossil-fuel and industrial CO₂ emissions¹⁸, compared with averages of 6 scenario groups from the IPCC Special Report on Emissions Scenarios (coloured lines) and range covered by all individual scenarios (grey shading). Emission data are from two sources: The Carbon Dioxide Information and Analysis Center (CDIAC) and the International Energy Agency (IEA). Figure updated using the latest available data (www.globalcarbonproject.org) since the original publication of this report.

Source: Synthesis Report, Climate change congress, by Richardson et. al., March 2009, Copenhagen

Non-papers on mechanisms,
NAMAs, sector approaches and
cost-effectiveness

Improvements to CDM

- Non-paper on mechanisms

- *Standardized, multi-project baselines:* - a new means of additionality testing. The EB to establish parameters, benchmarks, procedures for mandatory or optional use in the determination of additionality and calculation of ERs
- *Improve regional distribution:* - RE project activities (e.g. solar, wind, biomass, geothermal or small hydropower) under 5 or 10 megawatts, clean fossil fuel technologies (e.g. cogeneration, fuel switching) and/or EE project activities less than 20 gigawatt hours per year shall be assumed additional and or apply simplified modalities

Nationally Appropriate Mitigation Actions (NAMAs) of developing countries

Structure of the non-paper:

- Principles and objectives
- Definition and scope
- Support and enabling activities
- Registry/record to facilitate implementation
- Measurement, reporting and verification (MRV) of support and actions

A proposal is to finance some NAMAs by crediting, i.e. through offset-mechanisms like the CDM

Cooperative sectoral approaches and sector-specific actions

Structure of non-paper: - proposed as a section under NAMAs

- What sector approaches should do
- Means of implementation
- Agriculture
- Bunker fuels

Strongly related to TT and business concerns on competitiveness

Cost-effectiveness

Structure of the non-paper:

- Principles and objectives
- Market-based approaches
 - General provisions
 - Existing mechanisms
 - NAMA/Sectoral mechanisms
- Other mechanisms
 - Use of units
 - Transitional provisions
 - Non-market-based approaches

Overall, preferences differ between the North and South with regard to the use of market vs non-market mechanisms

Thanks!